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## EUROPE

1. FRANCE: Queuille will not permit return of Communists-- US Ambassador Caffery has been assured by a high official of the French Government that the Cabinet has taken a stand against the return of the Communists to the Government. Caffery interprets current press reports of a parliamentary movement to readmit the Communists as a manifestation of: (a) wishful thinking among certain politicians who consider such a readmission would guarantee industrial peace and the absence of De Gaulle from power; (b) the fear of war and French skepticism as to the effectiveness of military plans for resistance to the USSR; and (c) the desire of certain elements to "take out insurance" with the Communists.

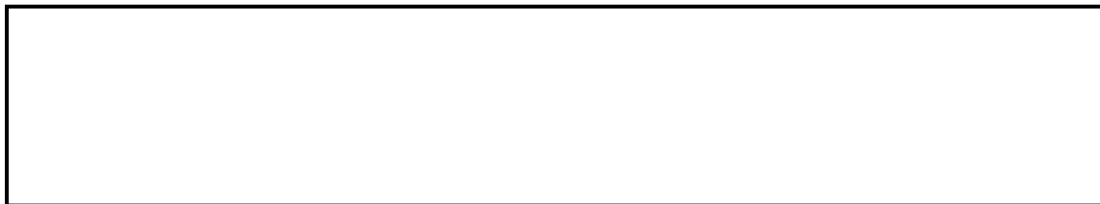
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(CIA Comment: CIA concurs with Ambassador Caffery's interpretation of the reported parliamentary movement to readmit the Communists. CIA does not foresee such a return in the near future.)

## NEAR EAST-AFRICA

2. INDIA: Immediate war with Pakistan held unlikely-- US Embassy New Delhi expresses the opinion that, although tension between India and Pakistan has increased, India probably will not undertake direct military action against Pakistan in the near future. The Embassy believes that recent inflammatory speeches by Indian leaders represent a continuation of the Indian practice of indulging in long-range polemics. The Embassy does not discount the possibility, however, that India may intensify its military operations in Kashmir after the Hyderabad situation has been cleaned up.

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(CIA Comment: CIA considers it unlikely that the Kashmir dispute can be settled in the manner suggested in view of the continued intransigence of key personnel in both dominions.)

#### FAR EAST

3. **CHINA:** Military situation "exceedingly critical" --US Embassy Nanking declares that the National Government's military position is "exceedingly critical" as a consequence of severe military reverses during the past week and that the government armies north of the Yangtze are in danger of annihilation. The Embassy reports that the Communists retain the initiative throughout all sectors and are capable of concentrating decisive strength in any area without sacrificing their present positions. The Embassy points out that the fall of Tsinan has provided the Communists with a large strategic reserve which the Government totally lacks. (The Embassy adds that the Commanding General of the Army Advisory Group and the Military and Naval Attaches concur in this report.)

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